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ABSTRACT

Parents' plans for sending pre-college age children to college, and their plans for financing that education were studied. Specific concerns included: how many children parents foresee attending college; the type of institution (private versus public) they would prefer their children attend; how well preference for a type of college matches expectations; how parents expect their children's college education to be financed and their savings programs; and attitudes toward various possible savings and tax incentive plans among both parents and the public at large. A nationwide cross-section of 2,000 men and women, 18 years old and older, was interviewed individually in two waves: October and November 1983 and in December 1983. This resulted (in the October/November wave) in interviews with 551 parents who had college-bound children. The questions on college plans and financing were included as proprietary tack-on questions in two "Roper Report" studies (public opinion research). The two questionnaires are included, along with summaries of the study findings. Information on the sampling methodology is included. (SW)

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A NATIONAL STUDY ON PARENTAL SAVINGS FOR CHILDREN'S HIGHER EDUCATION EXPENSES

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Conducted for

NATIONAL INSTITUTE OF INDEPENDENT COLLEGES AND UNIVERSITIES

by

The ROPER ORGANIZATION Inc.

HE 017 787

August, 1984

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FOREWORD

FOREWORD

Purpose Of The Study

The purpose of this study was to explore plans parents have for sending pre-college age children to college, and their plans for financing that education. Within this broad context several specifics were included:

a) How many of their pre-college age children do parents foresee attending college

b) What type of institution--private vs. public--would they prefer those children attend

c) How well does preference for a type of college match expectations, and why do discrepancies exist

d) How do parents expect their children's college education to be financed, and what savings programs do they have toward this end

e) Attitudes toward various possible savings and tax incentive plans among both parents of college-bound children and the public at large

How The Study Was Conducted

The questions included in the study were developed by The Roper Organization in consultation with the National Institute of Independent Colleges and Universities. These questions were included as proprietary tack-on questions in two successive ROPER REPORTS studies, for which interviewing was conducted October 29 to November 5, and December 3 to 10, 1983. ROPER REPORTS is a syndicated public opinion research service, based on ten national in-person surveys a year. A limited amount of space in each ROPER REPORTS questionnaire is made available to those who wish to ask proprietary questions of a nationwide sample. Neither these questions nor the results they produced have been made known to ROPER REPORTS subscribers.

Many of the questions in the study for NIICU were directed at those parents who have pre-college age children and plan to send those children to college. All of this group of questions was included in the October/November survey. Certain questions on attitudes toward tax incentives for college financing and toward federal aid for low-income students were asked of the public at large. These questions were included in the December survey.

A multistage stratified, area probability sample is used for each study conducted in the ROPER REPORTS series. It is a nationwide cross section of the non-institutionalized population 18 years and older living in the continental United States. It is representative of all ages 18 and over, all sizes of community, geographic areas, economic levels, and employment levels. In each study 2000 personal interviews are conducted by experienced, trained interviewers. The October/November study yielded interviews with 551 parents who have pre-college age children and plan on one or more of them attending college. A full description of the sampling methodology employed for ROPER REPORTS is included in the Appendix.

A copy of the questions asked in the study is included in the next section of this report. The questions are numbered in the order in which they were asked in each ROPER REPORTS survey. They were questions 38 - 60 in the October/November survey, and questions 21 - 24 in the December survey.

QUESTIONNAIRES

38. Most people save some money, aside from regular checking accounts, even if it's a small amount. Which of these reasons are your most important reasons for saving? (HAND RESPONDENT CARD)

a. For a new or better house.....	1	55/
b. For children's college education.....	2	
c. For retirement.....	3	
d. For emergencies.....	4	
e. For travel or recreation.....	5	
f. For a new or better car.....	6	
g. For new household appliances or furnishings.....	7	
h. For other reasons.....	8	
No one particular reason (vol.).....	9	
Don't save (vol.).....	0	
Don't know.....	Y	

39. Do you have any children living here at home with you:

Age 12 or younger?	Yes.. 1	No.. 2		56/
Age 13 to 18?.....	Yes.. 1	No.. 2		57/

INSTRUCTION:

IF YES TO EITHER AGE GROUP IN Q.39, ASK Q.40.

IF NO TO BOTH AGE GROUPS IN Q.39, SKIP TO Q.62, PAGE 15.

40. What are the ages of those children--excluding any who may already be in college?

	40. Ages of children		41. Those expected to go to college	
Less than 1 year.....	X	58/	X	60/
One year old..	1		1	
Two years old.	2		2	
Three.....	3		3	
Four.....	4		4	
Five.....	5		5	
Six.....	6		6	
Seven.....	7		7	
Eight.....	8	(ASK 41)	8	
Nine.....	9		9	
Ten.....	0		0	
Eleven.....	1	59/	1	61/
Twelve.....	2		2	
Thirteen.....	3		3	
Fourteen.....	4		4	
Fifteen.....	5		5	
Sixteen.....	6		6	
Seventeen....	7		7	
Eighteen.....	8		8	

No children under 18 not in college 9 (SKIP TO 62, PAGE 15)

41. Do you expect (that child/any of those children) to go to college?

Yes.....	1	(Which ones? RECORD ABOVE)
No.....	2	(SKIP TO 62, PAGE 15)
Don't know	Y	(SKIP TO 62, PAGE 15)

80-2

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INSTRUCTION: RECORD BELOW THE AGES OF THREE OLDEST CHILDREN EXPECTED TO GO TO COLLEGE FROM Q.41. ASK Q.42 - 45 ABOUT EACH OF THREE CHILDREN.

	Oldest child:		Next oldest child:		Third oldest child:	
42. Is your (name age) year old child a boy or a girl?	(write in age)	6/7	(write in age)	12/13	(write in age)	18/19
Boy	1	8/	1	14/	1	20/
Girl	2		2		2	
43. If money were no object, which of these types of colleges would you prefer your (name age) year old to attend? (HAND RESPONDENT CARD)						
a. A private college or university	1	9/	1	15/	1	21/
b. A state college or university in this state	2		2		2	
c. A state college or university in some other state, or	3		3		3	
d. A local community college	4		4		4	
Don't know	Y		Y		Y	
44. Which of those types of colleges do you think your (name age) year old will attend?						
a. A private college or university	1	10/	1	16/	1	22/
b. A state college or university in this state	2		2		2	
c. A state college or university in some other state, or	3		3		3	
d. A local community college	4		4		4	
Don't know	Y		Y		Y	
IF "PRIVATE" IN Q.43, AND OTHER TYPE IN Q.44, ASK Q.45.						
45. Is that because your (name age) year old prefers that type of college, or because you think you won't be able to afford a private college, or some other reason?						
Prefer that type	1	11/	1	17/	1	23/
Won't be able to afford private	2		2		2	
Other reason	3		3		3	
Don't know	Y		Y		Y	
IF ANOTHER CHILD TO ASK ABOUT, GO BACK TO Q.42 FOR THAT CHILD. IF NO OTHER CHILD TO ASK ABOUT, GO ON TO Q.46.			IF ANOTHER CHILD TO ASK ABOUT, GO BACK TO Q.42 FOR THAT CHILD. IF NO OTHER CHILD TO ASK ABOUT, GO ON TO Q.46.		GO TO Q.46	

46. Which of those types of college did you go to, or didn't you go to college?

	46. Respondent		47. Other parent	
a. A private college or university	1	24/	1	25/
b. A state college or university in this state	2		2	
c. A state college or university in some other state	3		3	
d. A local community college	4		4	
Didn't go to college	5		5	
Don't know	Y		Y	

47. Which of those types of college did your children's (father/mother) go to, or didn't (he/she) go to college? (RECORD ABOVE)

48. From which of these sources do you expect your children's college education will be paid for? (HAND RESPONDENT CARD)

a. Money from savings we've accumulated	1	26/
b. Money from income we will have while they are enrolled	2	
c. Help from grandparents	3	
d. Help from other relatives	4	
e. Student loans children will take out	5	
f. Federal or state grants	6	
g. Scholarships from the college	7	
h. Money student will earn from a job while going to college	8	
i. Other sources (please explain) _____	X	
_____		
Don't know	Y	

49. With your current financial obligations, if your child were to begin college tomorrow, and you had no savings, how much of the cost of a year's education could you make available from your current income--that is, how many dollars?

None	1	Over $2,000 up to $3,000	5	27/
Less than $500	2	Over $3,000 up to $4,000	6	
$500 up to $1,000	3	Over $4,000	7	
Over $1,000 up to $2,000	4	Don't know	Y	

50. Please tell me for each of the parties on this card whether you think they have primary responsibility for financing a student's college education, or secondary responsibility, or no responsibility at all? (HAND RESPONDENT CARD) First, (read item). (ASK ABOUT EACH)

	Primary responsibility	Secondary responsibility	No responsibility	Don't know	
a. The student him/herself	1	2	3	Y	28/
b. The student's parents	1	2	3	Y	29/
c. The Federal Government	1	2	3	Y	30/
d. The state government	1	2	3	Y	31/

51. Are you currently saving for your children's college education?

Yes.... 1 (ASK 52) 32/

No..... 2 (SKIP TO 55)

52. How much are you saving per year for your children's education?

Less than $100	1	33/
$100 - $500	2	
Over $500 to $1,000	3	
Over $1,000 to $2,000	4	
More than $2,000	5	
Don't know	Y	

53. How much do you think you will have saved for your (youngest) child by the time that child is eighteen and ready to attend college?

$ _____ _____ 34/35/36/37/38
(write in)

Don't know..... 38-Y

54. How old was your (oldest) child when you began saving for his or her college education?

_____ years old 39/40
(write in)

(SKIP TO 57)

Don't know..... 40-Y

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ASK OF THOSE NOT SAVING

55. Which of these are the reasons you are not currently saving for your children's college education? (HAND RESPONDENT CARD)

a. I cannot afford to save now and probably won't be able to in the future	1	41/
b. I cannot afford to save now but probably will later on	2 (ASK 56)	
c. My child is too young, but I will probably save later	3 (ASK 56)	
d. I don't feel it's my responsibility, it's my child's	4	
e. I already have enough money put aside for my child's college education	5	
f. I will sell assets to send my child to college	6	
g. I will borrow money to send my child to college	7	
h. Government programs will finance my child's college education	8	
i. Other reasons	9	
Don't know	Y	

INSTRUCTION: IF PICKED "b" OR "c" IN Q.55, ASK Q.56.
IF "b" OR "c" NOT PICKED, SKIP TO Q.57.

56. About how old do you think your child will be when you begin saving for his or her college education? (Next child to go to college)

_____ years old 42/43
(write in)

Don't know..... 43-Y

57. Here are some incentives that have been suggested to encourage people to save for their children's college education. (HAND RESPONDENT CARD) Would you tell me for each one how important an incentive it would be in encouraging you to begin saving, or to save more, for your children's college education--very important, somewhat important, only slightly important, or not at all important? First, item a? (ASK ABOUT EACH)

	Very important	Somewhat important	Only slightly important	Not at all important	Don't know	
a. You are allowed to save a certain amount of money each year in a savings account, and the interest you earn will never be taxed	1	2	3	4	Y	44/
b. You are allowed to deduct the money you save for education from your income in the year in which you save it, and don't have to pay any tax on it until it's withdrawn to pay for your child's college costs	1	2	3	4	Y	45/
c. You are allowed to deduct the money you save for education from your income in the year in which you save it, and when your child completes his or her higher education, he or she is taxed on the amounts used, over a 5 to 10 year period	1	2	3	4	Y	46/
d. You are allowed to deduct the money you save for education from your income in the year in which you save it, and you are never taxed on it	1	2	3	4	Y	47/
e. Your employer would match the amount you save, and the employer's money would not be taxable to you as income	1	2	3	4	Y	48/

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58. If the Federal Government gave people a tax break in the form of deductions or tax credits for money put into an education savings account, which one of these three things would you be most likely to do? (HAND RESPONDENT CARD)

a. Save more money than now and put some of it in an education savings account..... 1 49/

b. Save the same amount as now, but put some of it in an education savings account..... 2

c. Not change my savings habits at all..... 3

Don't know..... Y

59. Here are two ways in which tax break education savings accounts might be set up. (HAND RESPONDENT CARD) Under which of those plans would you be more likely to put money in an education savings account?

a. A separate savings account to be used only for your children's education costs..... 1 50/

b. An education savings account combined with an IRA or Keogh account and the money could be used for either college education costs or for your retirement or for both..... 2

Neither one (vol.)..... 3

Don't know..... Y

60. Do you have an IRA or Keogh account at the present time?

Yes..... 1 51/

No..... 2

Don't know. Y

61. I've asked you about your children under college age. Do you now have any children in college, or have you, your spouse or any of your children attended college during the last ten years?

Yes..... 1 52/

No..... 2

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21. The Federal Government currently provides tax incentives in the form of deductions or credits on income taxes for some things and not for others. I'm going to name a few things, and for each one would you tell me whether you think the Federal Government should or should not provide tax incentives to encourage people to save for it? First, (read item). (ASK ABOUT EACH ONE)

	Should	Should not	Don't know	
a. Buying a house.....	1	2	Y	66/
b. Retirement.....	1	2	Y	67/
c. Children's college education..	1	2	Y	68/

22. If a tax incentive, like an IRA, were available, would you contribute to an education savings account for a relative other than your own children--such as a grandchild, niece, nephew, etc.?

Yes.....	1	69/
No.....	2	
Don't know...	Y	

23. Which type of government aid for college students do you think is most proper--aid to individual students who need it, or aid directly to college institutions so that tuition costs will be held down for all students, regardless of their income?

Needy students.....	1	70/
Institutions.....	2	
Don't know.....	Y	

24. Which of these types of federal student aid do you prefer? (HAND RESPONDENT CARD)

a. Grants to low-income students that they do not have to pay back.....	1	71/
b. Low interest loans to low-income students that they have to pay back over time.....	2	
c. Subsidized work programs that provide low-income students with jobs.....	3	
Don't favor any aid (vol.).....	4	
Don't know.....	Y	

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FINDINGS OF THE STUDY

HIGHLIGHTS OF THE FINDINGS

In this section of the report, the major findirgs are summarized briefly. In the following section, findings are discussed in detail, and are more fully documented.

College Expectations

- 36% of all adults have one or more children of pre-college age. Over 3 in 4 (77%) of these parents expect--or at least hope for--one or more of their children to go to college.
- The typical parent with pre-college age children who are expected to go to college has nearly two such children.
- Upward mobility is indicated by the fact that while slightly less than half of parents with pre-college age children went to college themselves, over three-quarters expect their children to.
- As the type of institution desired by the parent, local state colleges or universities (40%) and private colleges or universities (37%) are the clear, and nearly equal, leaders.
- But there is a vast discrepancy between parent desire and parent expectation. Less than 4 in 10 who prefer a private institution think it's in the cards. 5 expect a local state institution for every 4 who desire it. Twice as many expect a community college as desire it.
- Why the discrepancy between desire and expectations? Economics, pure and simple. Nearly 3 in 4 of those who desire a private institution for their children but expect them to go to a public one, give as their reason "won't be able to afford private."
- Even among the highest income parents ($30,000+) the prospects for private institutions are not much better:

  43% prefer private
  19% expect private
  Why? "Can't afford" (78%)

Financing College

* 96% of parents who expect to send one or more children to college are currently saving--for some reason.
* Saving for children's college education is the second biggest reason for saving (50%), behind for emergencies (62%), but ahead of retirement (37%), vacations (28%) and household appliances or furnishings (25%).
* Parents of prospective college entrants are looking to multiple sources of funding--2.5 sources on average:

Savings	62%
Scholarships	38
Student jobs	38
Student loans	34
Parents' current income	31
Federal/state grants	24

* Only half of parents of college prospects are currently saving.

  Median annual savings among savers: $517

* But 8 in 10 could do some financing out of current income.

  Median annual amount out of income: $697

* Half who are saving for college started when their oldest child was 4 (Median age).
* Half who are not saving are not saving because they can't afford to. But most plan to save later.

Can't afford to save now or in future	23%	7 in 10 can't afford
Can't afford to save now, but will in future	48	2 in 3 will later
Child too young, but will save later	20	

* Future savers plan to start when their child is 12 (6 years of saving).
* Somehow, parents of college prospects plan to have--or guess they may have--$10,000 (Median) for their youngest child when s/he is ready to go to college.

* Parents see themselves first (66%) and their children second (36%) as having primary responsibility for financing college. Not the Federal (7%) or State (6%) Government.

Potential Incentives To Save

* The more tax-free it is the greater the incentive:
  - If no income tax ever on all money put into college savings, 71% say it would be real incentive
  - If no income tax ever on interest earned, 61% say it would be real incentive
  - If savings were matched by employer and not counted as income to parent, 60% say it would be real incentive
  - If money saved is deductible now but taxable later, only 43% say it is real incentive
  - If money saved is deductible now but child must pay tax after college, only 25% say it is real incentive
* If the Federal Government gave a tax break for educational savings, less than half (43%) would save more.
  - But three-quarters (73%) would divert present savings into tax deductible accounts
* If the Federal Government were to give a tax break, 6 in 10 parents would prefer a flexible plan that could be used for retirement and/or college (IRA or Keogh); only 1 in 3 would favor a "dedicated" college savings account.
* The general public (as opposed to parents of prospective college students) favors federal tax incentives for those who save for college (74%), though not as widely as they favor tax incentives for saving either to buy a house (79%) or for retirement (85%).
* Half of the general public say they would save for the education of someone other than their own child (grandchild, niece, etc.) if an IRA-like incentive were available.

Federal Aid To Low-Income Students

- Twice as many of the general public favor the government subsidizing needy students (61%) as favor subsidizing the colleges themselves (32%).
- Forms of federal aid to low-income students favored:

Low interest loans	48%
Subsidized work/job programs	29%
Outright grants	18%

I. COLLEGE EXPECTATIONS

A college education for one's children appears to be an expectation woven into the fabric of American life. 36% of all adults have one or more children of pre-college age. Over 3 in 4 (77%) of these parents expect--or at least hope for--one or more of their children to go to college. (Upward mobility in America is indicated by the fact that less than half of these parents went to college themselves.) Over half (55%) expect to send two or more children to college.

While plans to send children to college increase with income, even among those parents with annual incomes of less than $10,000, 6 in 10 plan to send one or more children to college. College plans for children increase to nearly 9 in 10 of those with annual incomes of $30,000 or more.

Parents who expect to send their children to college were asked a series of questions about their preferences and expectations as to the type of college for up to three individual children. Since answers differed little for oldest, next oldest, and third oldest children, and since answers about the next child that will attend college (the oldest pre-college age child) are likely to be the most salient, in this analysis discussion will be confined to the oldest (or only) child expected to go to college. Slightly more of these children are male (51%) than female (47%).

Parents were asked which of four types of institutions they would prefer their child attend if money were no object. There are two clear, and nearly equal, leaders--local state colleges or universities (40%), and private colleges or universities (37%). Out-of-state state colleges or universities and local community colleges are each preferred by 9%.

But there is a vast discrepancy between parent <u>desire</u> and parent <u>expectation</u>. Asked which type of institution they expect their child to attend, less than 4 in 10 who prefer a private institution think it's in the cards.

5 expect a local state institution for every 4 who desire it. Twice as many expect a community college as desire it.

	Prefer child attend	Expect child to attend
Private college/university	37%	14%
State college/university in this state	40	49
State college/university in another state	9	8
Local community college	9	18
Don't know	6	11

The discrepancy between desire and expectation is due plainly and simply to economics. Nearly 3 in 4 (73%) of those who desire private but expect public give as their reason "won't be able to afford private."

Even among the highest income parents ($30,000 or more) the prospects for private institutions are not much better.

	$30,000 or more annual income	
	Prefer child attend	Expect child to attend
Private college/university	43%	19%
State college/university in this state	41	54
State college/university in another state	6	8
Local community college	5	9
Don't know	5	9

In fact, of those who prefer private, 17% is the comparable figure who expect private. 2% who expect their child to go to a private institution prefer public. Thus, only 4 in 10 of the high income group who prefer private expect their child to go there. And, the major reason is the same--"can't afford it" (78%).

II. COLLEGE FINANCING

Current Savings Practices

Almost all (96%) of parents who expect to send one or more children to college are currently saving money for some reason. "For children's education" is the second biggest reason for saving (50%), behind "for emergencies" (62%), but ahead of "for retirement" (37%), "vacations" (28%), "household appliances or furnishings" (25%), "a new home" (23%), and "a new or better car" (17%).

This question was asked of everyone before any other questions about plans to send children to college. Therefore, answers on college saving were not biased toward college in any way.

Sources Planned For College Financing

Later in the series of questioning, parents who said they planned to send one or more children to college were questioned directly about their plans for financing that education.

Parents of prospective college entrants are looking to multiple sources of funding--2.5 sources on average. Savings they have accumulated is the leading item, named by over 6 in 10 parents. Half that many expect to use income they will have while children are enrolled.

A large number of parents expect students themselves to contribute in one way or another--through obtaining college scholarships (just under 4 in 10), or earning money while in college (just under 4 in 10), or by taking out college loans (1 in 3).

Federal or state grants are named by only 1 in 4 parents as expected sources of financing. And relatively few expect help from grandparents or other relatives.

It is not surprising that those best off financially are less inclined to look to federal and state grants or student loans as sources of college financing, and are more inclined to say they will rely on savings and income to

cover the cost. But it is interesting that they are also more inclined to expect their children to contribute--through both scholarships and jobs while in college. It is also interesting that nearly 1 in 5 of those financially best off expect some help from federal and/or state grants.

	Total parents	Household income: Under $10M	$10M-under $20M	$20M-under $30M	$30M+
Number of respondents	551	75	123	189	159
	%	%	%	%	%
Sources of college financing					
Savings we've accumulated	62	32	57	64	78
Scholarships from college	38	29	28	37	48
Money student will earn from job while in college	38	35	28	37	48
Student loans children will take out	34	44	35	33	29
Income we'll have while they are enrolled	31	17	22	32	42
Federal/state grants	24	36	24	33	18
Help from grandparents	9	5	13	9	9
Help from other relatives	4	5	7	5	-
Other sources (vol.)	6	9	4	6	4
Don't know	4	12	3	2	3

Asked directly whether they are currently saving for their children's college education, parents of prospective college entrants confirmed their earlier answers. Only half are currently saving, and they are saving an annual median of $517. There is a higher incidence of saving, and in most cases a higher amount saved, among those financially best off, among those whose children are closer to college age, and among those who plan to send more than one child to college.

	Percent who are currently saving for children's college education	Median amount now saving per year
Total parents	51%	$517
Household income		
Under $10M	17	$120
$10M - under $20M	45	$140
$20M - under $30M	52	$466
$30M or more	70	$904
Age of children expected to go to college		
Under 13	51	$443
13 - 18	58	$775
Number of children expected to go to college		
One	46	$494
Two	55	$500
Three or more	55	$591

The half who are saving for college started saving when their oldest child was 4 years old (the median age). They somehow expect to have saved $10,000 by the time their child is ready for college--which means they will have to step up the amount they are currently saving.

The half who are not currently saving are mainly not saving because they can't afford to. 7 in 10 say this. But most (2 in 3) plan to save later.

Reasons for not saving	
Cannot afford to save now, but probably will later on	48%
Cannot afford to save now and probably won't be able to in future	23
Child is too young, but will probably save later	20
Will borrow money to send child to college	6
Don't feel it's my responsibility, it's child's	5
Government programs will finance child's college education	5
Already have enough put aside	2
Will sell assets to send child to college	2
Other reasons	13
Don't know	2

Those who do plan to save later plan to start saving when their child is 12 years old--which gives them only six years to save.

While only half of parents are currently saving, 8 in 10 could do some financing out of current income--a median amount of $697 for all parents. Among those best off financially, over 9 in 10 could do some financing out of current income--a median of $1552 per year for all parents with annual incomes of $30,000 or more.

In summary, then, parents will have a difficult time financing their children's education out of savings and income, although it would be possible for those who are currently saving (one-half of parents who have college-bound children). They expect to have $10,000 saved by the time their child goes to college, or $2,500 per year. They could presumably add to this roughly $700 per year out of current income, for a total of $3,200 per year. Student contributions to this amount through loans and earned income could bring this to an adequate amount for a public institution. This is consistent with the expectations of a majority of parents that their children will go to local state

colleges or universities and local community colleges, rather than to private colleges and universities or out of state public institutions.

Primary Responsibility For College Financing

Consistent with their naming themselves first and their children second as sources of college financing, two-thirds of parents say a student's parents have the primary responsibility for financing a student's college education. Only a little over one-third say students themselves have primary responsibility, and very few see it the primary responsibility of the State or Federal Governments. In fact, half say the Federal Government has no responsibility for college financing, and just under half say this about the State Government.

	Student's parents	Student	State Government	Federal Government
Primary responsibility	66%	36%	6%	7%
Secondary responsibility	30	54	39	33
No responsibility	1	6	45	51
Don't know	3	3	10	9

III. INCENTIVES FOR SAVING TOWARD COLLEGE

Parents Of Prospective College Students

Presented with five possible incentives for saving toward their children's college education, parents who expect to send one or more children to college indicate strongly that the more tax-free it is, the greater the incentive. Least appealing is an incentive that would make their child liable after college for parents' tax-free incomes that went toward college expenses. This is again consistent with parents' attitudes that college financing is their responsibility more than their children's.

	Very important	Somewhat important	Only slightly important	Not at all important	Don't know
d. You are allowed to deduct the money you save for education from your income in the year in which you save it, and you are never taxed on it--------▷	71%	18	4	3	3
a. You are allowed to save a certain amount of money each year in a savings account, and the interest you earn will never be taxed----------▷	61%	26	8	3	2
e. Your employer would match the amount you save, and the employer's money would not be taxable to you as income----------▷	60%	15	6	14	6
b. You are allowed to deduct the money you save for education from your income in the year in which you save it, and don't have to pay any tax on it until it's withdrawn to pay for your child's college costs-▷	43%	33	12	8	3
c. You are allowed to deduct the money you save for education from your income in the year in which you save it, and when your child completes his or her higher education, he or she is taxed on the amounts used, over a 5 to 10 year period --▷	25%	24	18	26	7

Over 4 in 10 parents say they would save more than they are now saving if the Federal Government gave people a tax break in the form of deductions or tax credits for money put into an education savings account. 3 in 10 would not save more, but would put some of what they are now saving into such an account. The higher the income of parents, the more inclined they would be to save more given tax breaks.

		Household income			
	Total parents	Under $10M	$10M-under $20M	$20M-under $30M	$30M or more
If tax breaks were given on education savings:					
Save more, and put some of it in education savings account	43%	37%	41%	43%	47%
Save same amount, but put some of it in education savings account	30	25	27	29	36
Not change savings habits	22	27	29	22	14
Don't know	5	11	3	6	3

If the Federal Government were to give a tax break, 6 in 10 parents (58%) would prefer a flexible plan that could be used for retirement and/or college--education savings account combined with an IRA/Keogh account. Only 1 in 3 (33%) would favor a "dedicated" college savings account--one that could be used only for education costs. The preference for a flexible plan is dominant in all income brackets.

The General Public

In a separate survey, two questions were put to the general public concerning tax incentives for college savings. The first asked whether the Federal Government should or should not provide tax incentives to encourage savings for buying a home, for retirement, and for children's college education. Three-quarters (74%) favor federal tax incentives for those who save

for college, slightly fewer than the number who favor incentives for saving either to buy a house (79%) or for retirement (85%).

Half of the general public say they would save for the education of someone other than their own child (grandchild, niece, etc.) if an IRA-like incentive were available. Only one-third say they would not. 1 in 7 "don't know" if they would or not.

IV. ATTITUDES TOWARD GOVERNMENT AID FOR COLLEGE STUDENTS

Twice as many of the general public favor government aid to needy students (61%) as favor the government subsidizing the colleges themselves (32%)--even on the premise that aid to colleges would hold tuition costs down for all students, regardless of their income.

As to the types of federal aid preferred for low-income students, there is a strong preference among the general public for low-interest loans that students pay back over time. Subsidized work programs rank second, and outright grants are least favored.

	Total public
Type of aid preferred for low-income students:	
Low interest loans that have to be paid back over time	48%
Subsidized work programs that provide students with jobs	29
Grants that students do not have to pay back	18
Don't favor any aid (vol.)	2
Don't know	3

APPENDIX

METHODOLOGY

Sample Size

A nationwide cross section of 2000 men and women, 18 years of age and over, was interviewed for each wave of the study in face-to-face interviews in respondents' homes. This resulted (in the October/November wave) in interviews with 551 parents who have pre-college age children and plan to send one or more of those children to college.

Sampling Method

The sample interviewed in this study is a representative sample of the population of the Continental United States, age 18 and up--exclusive of institutionalized segments of the population (Army camps, nursing homes, prisons, etc.).

The sampling methodology employed is a multistage, stratified probability sample of interviewing locations.

At the first selection stage, 100 counties are selected at random proportionate to population after all the counties in the nation have been stratified by population size within geographic region. At the second stage, cities and towns within the sample counties are drawn at random proportionate to population. Where block statistics are available, blocks are drawn within the cities and towns at random proportionate to population. Where no block statistics are available, blocks or rural route segments are drawn at random.

A specified method of proceeding from the starting household was prescribed at the block (or route) level. Quotas for sex and age levels of respondents, as well as for employed women, were imposed in order to insure proper representation of each group in the sample. In addition, hours were restricted for interviewing men (on weekends and after 5:00 PM on weekdays) in order to obtain proper representation for employment.

A validation is made by telephone of all interviewers' work by an outside organization.

Interviewing Dates

Interviewing on Wave One of this study was started on October 29, 1983, and was completed November 5, 1983. Interviewing on Wave Two began December 3, 1983, and was completed December 10, 1983.

Percentages Not Totalling 100%

The computer rounds off each percentage to the nearest whole percent. As a result, the percentages in a given column of figures frequently add to 98, 99, 101, 102 rather than 100.

Where a question permits multiple answers, percentages may add to 130, 185, 210, or even more, depending on the number of answers each respondent gives.

Dashes (-) are used when answers fall below 0.5% among a given subgroup.